

30 September 2008

Interactive Prospect Targeting Holdings Plc

("IPT" or "the Company" or "the Group")

Interim Results

Interactive Prospect Targeting Holdings Plc (AIM:IPH), the UK's leading online direct marketing company, today announces its Interim Results for the six months ended 30 June 2008.

Business Overview

- Revenue increased by 6% to £16.3m (June 2007: £15.4m).
- Operating loss was £7.9m (June 2007: Profit £0.6m).
- Adjusted operating loss* was £0.7m (June 2007: Profit £1.0m).
- Adjusted loss per share** was 3.9p (June 2007: Profit 1.3p) Basic loss per share was 20.9p (June 2007: Profit 0.3p).
- Continuing profitability of the French businesses.
- On 29 September 2008 the Group disposed of its Core UK businesses for £1.3m in cash.

- Ends -

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The following descriptions are applied consistently throughout the interim report:

* Adjusted operating loss/profit is operating loss/profit before share-based payment charge, adjustment to goodwill on recognition of tax assets, amortisation of acquisition related intangible assets, impairment of non-

acquisition related intangible assets and impairment of goodwill and acquisition related intangible assets. (See Note 4).

**Adjusted loss/earnings per share is loss/profit for the period before share-based payment charge, adjustment to goodwill on recognition of tax assets, amortisation of acquisition related intangible assets, impairment of non-acquisition related intangible assets, impairment of goodwill and acquisition related intangible assets, foreign currency translation adjustment and interest accretion on contingent consideration, foreign exchange movement on foreign currency loan, and the tax effect of the above items. (See Note 6).

CHAIRMAN'S STATEMENT

Introduction

On 15 April 2008, following publication of disappointing results for the year ended 31 December 2007, Interactive Prospect Targeting Holding plc (hereafter "IPT" or "the Group" or "the Company"), announced it was to carry out a strategic review of all Group operations. On 20 June 2008, I was appointed to the Board as Executive Chairman, one of my tasks being to assist with the completion of this ongoing review. Subsequently, it became apparent that urgent action was needed to ensure the survival of the Group, as the underperforming UK business had not been restored to profit and the losses being incurred were not sustainable given the available Group resources. In addition, the Group entered into discussion with its bankers regarding a default on its banking covenants and a missed loan repayment, due in July 2008.

The level of losses in the UK coupled with restrictions on the use of funds in France, which have arisen as a result of French dividend regulations and earnout arrangements entered into upon acquisition of these businesses, have resulted in a short-term funding issue for the Group. The Board therefore focussed on exploring all options for the loss-making UK business and on maintaining ongoing discussions with the Company's bank to secure the Group's funding requirements.

Disposal of UK businesses

On 29 September 2008, the Group announced that it has sold its core UK Customer Acquisition and List Rental business to a subsidiary of Volvere plc for a cash consideration of £1.3m, the proceeds of which will be used to assist with the working capital needs of the Group. The Group has also agreed that in the event of a further sale of these businesses by the acquiring company within the next 12 months for a purchase price in excess of £1m, the Group will receive a portion of the sales proceeds above £1m.

The following UK businesses: Emailbureau, Tpoll, Newsletters Online, Everyinvestor and Integra Insight, have not been sold as part of this agreement. However, taken together, these UK businesses are not profitable and the Group remains in active discussions about their future.

None of the Group's three French businesses (Directinet SA, NP6 and Net Collections) are included in the sale. As announced on 15 September 2008, the Board is considering the sale of one of its French subsidiaries.

Details of amendment to the Group's loan

As part of the sale process, the Group has agreed in principle to amend the bank covenants and terms of its existing loan of €6.5m with Barclays Bank. In principle the loan is to be repaid in four equal instalments from October 2009 to April 2011. A re-scheduling fee of 10% of the loan is to be added to the principal loan and is payable in October 2011. The loan and re-scheduling fee incur an interest rate of 5% over Euribor, reducing to 2.5% over Euribor once €3.25m of principal has been repaid. A penalty will be incurred if €3,250,000 principal is not repaid by 31 March 2009. The penalty will be calculated as 10% of the sum of €3,250,000 less principal payments to 31 March 2009. Any penalty arising would be added to the principal and payable in October 2011.

The bank will receive warrants to subscribe at par up to a maximum of 3m shares in IPT. These are exercisable at any time before 31 March 2012. There is a prohibition on payment of dividends by IPT until the loan is repaid in full.

Board

As a result of the disposal of the Core UK business, Lionel Thain resigned yesterday from the Board. Eoin Ryan will resign from the Board today. Both have left the Group and are taking up positions with the acquiring company.

Going concern

As mentioned in Note 1, the Directors, having conducted a review of the trading prospects of the Group including a cash flow forecast which considers the Group's funding requirements to the end of September 2009, continue to be of the view that it is appropriate to prepare the financial statements on a going concern basis.

Current trading and outlook

This interim period has been an extremely difficult chapter for the Group. What started as a strategic review turned into a fight for the survival of the Group. Although the outcome is disappointing, your Board has no doubt that yesterday's announcement represents the best value for shareholders. There is further work to do, including determining the future of the remaining UK activities, accessing funds in the French subsidiaries and putting in place arrangements for the long term management of these companies. The Board will explore all options for the early repayment of the Barclays loan, including the possible disposal of one of the French subsidiaries. Our aim is to ensure that the Group can continue to operate viably in the long term, albeit on a reduced basis.

Nicholas Ward

Chairman

29 September 2008

BUSINESS REVIEW

Results

Group revenue in the 6 months ended 30 June 2008 increased by 6% to £16.3m (June 2007: £15.4m). France revenue grew by 76% to £9.5m (June 2007: £5.4m) due to the acquisition of NP6 in June 2007, Directinet's continued growth and the launch of Netcollections in 2007. UK revenue decreased by 29% to £7.1m (June 2007: £10.0m) reflecting the continued decline in the core data rental and email broadcast businesses. Group adjusted operating loss in the 6 months ended June 2008 was (£0.7m) (June 2007: profit £1.0m). Group operating profit includes a £1.1m charge for foreign exchange movements in relation to the Group's bank loan and deferred consideration liabilities. The increase in value of the French subsidiaries due to foreign exchange movements of £2.4m goes directly to equity.

France adjusted operating profit grew by 97% to £2.0m (June 2007: £1.0m) including the impact of the acquisition of NP6 and organic revenue growth in Directinet. UK Adjusted operating loss was (£2.3m) (June 2007: profit £0.3m). Despite implementing cost saving measures during the period, UK profitability fell due to the decline in high margin data rental revenues and debtor write-offs and provisions, some of which related to debts from the prior period.

Group operating loss in the 6 months ended June 2008 was (£7.9m) (June 2007: profit £0.6m). France operating profit was £1.7m in the period (June 2007: profit £0.8m).

UK operating loss was (£9.2m) (June 2007: profit £0.3m). The UK result included:

- Charges of £5.1m (June 2007: nil) relating to the impairment of goodwill on acquired UK subsidiaries of £4.3m and acquisition related intangible assets of £0.8m. These represent the balance of goodwill and intangible assets recognised on the acquisition of UK businesses. The businesses are not forecast to be profitable in the foreseeable future and are not expected to have significant value on disposal.
- Charges totalling £1.8m (June 2007: nil) relating to the impairment of data and website intangible assets. Marketing expenses for data acquisition are capitalised as incurred and amortised over the expected life of the data. Profits from the utilisation of the data assets are not currently foreseen. Accordingly, the values previously capitalised have been subject to impairment of £1.6m. Website development costs are also capitalised as incurred. Of the websites developed, several have been closed down and those still in operation are not forecast to be profitable in the foreseeable future. The capitalised website costs of £0.2m have been impaired in full.

Group tax charge was £0.8m despite incurring a loss before tax. The tax charge reflects tax payable on French profits and a write-down of deferred tax assets in the UK. No deferred tax assets have been recognised in respect of losses incurred in the UK as utilisation of these losses is not probable.

Group loss after tax for the period was (£9.9m) (June 2007: Profit £0.2m). Basic loss per share for the period was (20.9p) (June 2007: profit 0.3p).

Overview

In 2007 and during the first half of 2008 the Group's French businesses have continued to grow while UK operations performed significantly below expectation.

France

Directinet continues to dominate the French market for email marketing, servicing a strong blue-chip client base. Although the economic conditions in France are difficult, Directinet have increased revenues year-on-year. The French market is also exposed to difficulties associated with email delivery but to a lesser extent than in the UK. Directinet has recognised an opportunity to deliver additional agency services to clients thus leveraging its client base and diversifying its offering.

NP6 has developed its Mailperformance email broadcasting software to be a leading provider of broadcasting solutions in France. It is experiencing strong growth in this already commoditised marketplace.

Netcollections, a customer acquisition business launched in the second half of 2007, has already built a strong client base and is exploiting the high demand for opt-in email data in France. As a start-up business it was loss-making in the six months to June 2008 but revenues have grown significantly in this period compared to the second half of 2007.

UK

Whilst the UK customer acquisition business has recovered from the execution issues affecting the operation of its flagship site, myoffers.co.uk, in 2007, revenue growth has been restricted by the ability to acquire cost-effective traffic. This necessitated the need to source additional traffic at higher costs to satisfy client demand thereby resulting in lower margins. The UK business also changed its business model to include large contracts to be satisfied by outsourced consolidated lead generation. These contracts provided compensating increases in revenue, albeit without the ability to add the out-sourced leads to the list rental database.

The UK data rental business, in particular, has performed well below expectations in 2008. It has faced strong competition in a demanding economic environment, including being impacted by the challenges facing the UK financial sector which constitutes a significant proportion of revenue. Additionally, despite overcoming the specific delivery problems experienced in 2007, the business has been affected by generally increasingly difficult email delivery environment.

The UK market research businesses have also experienced lower than expected revenues in 2008 against the backdrop of difficult economic conditions and increasing competition. Tpoll is continuing to develop its own consumer panels, which are expected to enable it to deliver margin improvement once scale is achieved. Integra Insight has increased revenues and reduced losses in the six months to 30 June 2008.

The UK email broadcast business was severely affected by the loss of key staff in 2007 and revenues have decreased by 56% in the six months ended 30 June 2008 compared to the same period in 2007. In 2008, the business has been rebranded under the 'Mailperformance UK' brand to reflect the use of Group proprietary email delivery software of the same name developed by NP6.

INDEPENDENT REVIEW REPORT TO INTERACTIVE PROSPECT TARGETING HOLDINGS PLC

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2008 which comprises the income statement, the balance sheet, the statement of recognised income and expense, the cash flow statement and related notes 1 to 9. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements 2410 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the AIM Rules of the London Stock Exchange.

As disclosed in note 1, the annual financial statements of the Company are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report have been prepared in accordance with the accounting policies the Company intends to use in preparing its next annual financial statements.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2008 is not prepared, in all material respects, in accordance with the AIM Rules of the London Stock Exchange.

Emphasis of matter - going concern

Without qualifying our conclusion, we draw attention to the disclosures made in note 1 of the condensed financial statements concerning the Group's ability to continue as a going concern. These include the following uncertainties:

- successful negotiation with management of Directinet SA regarding: i) terms of earnout payments in relation to year ending 31 December 2008, which would result in removal of restrictions on the use of the French funds and ii) arrangements for the future management of the businesses;
- the disposal of one of the French subsidiaries; and
- finalisation of the contractual agreement for the renegotiation of the loan payment terms and covenants with the bank by 17 October 2008.

These events and conditions, along with other matters as set forth in note 1, indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern. The interim financial information does not include the adjustments that would result if the Group were unable to continue as a going concern, which would include writing down the carrying value of assets, including goodwill, to their recoverable amount and providing for any further liabilities that might arise as it is not practicable to determine or quantify them.

Deloitte & Touche LLP

Chartered Accountants and Registered Auditor

Reading, United Kingdom
29 September 2008

CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2008

		6 months ended 30 June 2008 Unaudited	6 months ended 30 June 2007 Unaudited Amended (See note 1) £'000	Year ended 31 December 2007 Audited Amended (See note 1) £'000
	Notes	£'000		
Revenue	3	16,314	15,396	33,244

Cost of sales		(6,199)	(5,584)	(12,626)
Gross profit		10,115	9,812	20,618
Administrative expenses				
Share-based payment charge		(18)	(67)	(145)
Adjustment to goodwill on recognition of tax assets		-	(20)	(30)
Amortisation of acquisition related intangible assets		(287)	(223)	(506)
Impairment of non- acquisition related intangible assets		(1,751)	-	-
Impairment of goodwill and acquisition related intangibles		(5,142)	-	-
Other administrative expenses		(10,788)	(8,856)	(19,310)
Total administrative expenses		(17,986)	(9,166)	(19,991)
Operating (loss)/profit		(7,871)	646	627
Investment revenue		33	60	142
Finance costs				
- Interest on bank overdraft and loans		(152)	-	(145)
- Foreign exchange loss on loan payable		(346)	-	(439)
- Changes to deferred consideration payable		(733)	(179)	(1,151)
(Loss)/profit before tax		(9,069)	527	(966)
Tax	5	(805)	(375)	(695)
(Loss)/profit for the period		(9,874)	152	(1,661)
(Loss)/profit attributable to equity holders of the parent		(9,874)	152	(1,661)
(Loss)/earnings per share	6			
Basic and diluted (pence)		(20.9)	0.3	(3.7)

All results are derived from continuing operations.

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSES

FOR THE SIX MONTHS ENDED 30 JUNE 2008

6 months ended 30 June 2008 Unaudited £'000	6 months ended 30 June 2007 Unaudited Amended (see note 1) £'000	Year ended 31 December 2007 Audited £'000
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Tax taken directly to equity - current tax	1	29	43
Tax taken directly to equity - deferred tax	(185)	(132)	(153)
Exchange differences on translation of foreign operations	2,405	(382)	2,307
Net income/(expense) recognised directly in equity	2,221	(485)	2,197
(Loss)/profit for the period	(9,874)	152	(1,661)
Total recognised income and expense for the period	(7,653)	(333)	536
Prior year amendment - deferred consideration (see note 1)	-	-	(400)
Total recognised income and expense since last report	(7,653)	(333)	136
The total recognised income and expense in the period is attributable to: Equity holders of the parent	(7,653)	(333)	536

CONSOLIDATED BALANCE SHEET

AT 30 JUNE 2008

	Notes	30 June 2008 Unaudited £'000	30 June 2007 Unaudited Amended (see Note 1) £'000	31 December 2007 Audited £'000
Non-current assets				
Goodwill		28,512	28,950	31,006
Other intangible assets		2,990	6,298	5,951
Property, plant and equipment		992	849	949
Deferred tax asset		25	537	679
		<u>32,519</u>	<u>36,634</u>	<u>38,585</u>
Current assets				
Trade and other receivables		11,036	11,679	14,198
Cash and cash equivalents		2,900	5,238	4,710
		<u>13,936</u>	<u>16,917</u>	<u>18,908</u>

Total assets		46,455	53,551	57,493
		<hr/>	<hr/>	<hr/>
Current liabilities				
Trade and other payables		(8,001)	(6,751)	(9,467)
Current tax liabilities		(138)	(396)	(440)
Obligations under finance leases		(69)	-	-
Bank loans and overdrafts		(5,142)	(242)	(800)
Deferred consideration payable		(3,858)	(3,819)	(4,254)
		<hr/>	<hr/>	<hr/>
		(17,208)	(11,208)	(14,961)
Non-current liabilities				
Deferred tax liability		(886)	(1,309)	(1,223)
Bank loans		-	(4,357)	(3,997)
Deferred consideration payable		-	(3,610)	(3,546)
		<hr/>	<hr/>	<hr/>
		(886)	(9,276)	(8,766)
Total liabilities		(18,094)	(20,484)	(23,727)
		<hr/>	<hr/>	<hr/>
Net assets		28,361	33,067	33,766
		<hr/>	<hr/>	<hr/>
Equity				
Share capital	7	202	179	179
Share premium account	7	26,680	24,475	24,475
Own shares	7	(527)	(317)	(529)
Share option reserve	7	297	202	279
Other reserves	7	2,372	2,372	2,372
Retained (deficit)/earnings	7	(663)	6,156	6,990
		<hr/>	<hr/>	<hr/>
Total equity	7	28,361	33,067	33,766

This interim report was approved by the Board of Directors on 29 September 2008.

Signed on behalf of the Board

Eoin Ryan
Director

CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2008

	Notes	6 months ended 30 June 2008 Unaudited £'000	6 months ended 30 June 2007 Unaudited £'000	Year ended 31 December 2007 Audited £'000
Net cash inflow/(outflow) from operating activities	8	1,336	(380)	588
Investing activities				
Interest received		33	60	142
Proceeds on disposal of property, plant and equipment		-	-	21
Purchases of plant, property and equipment		(370)	(248)	(602)
Purchases of data and website expenditure		(604)	(660)	(1,464)
Deferred consideration on acquisitions		(2,337)	(1,064)	(1,033)
Acquisition of subsidiary undertakings		-	(4,214)	(4,566)
Net cash used in investing activities		(3,278)	(6,126)	(7,502)
Financing activities				
New bank loans		-	4,357	4,357
Interest paid		(151)	-	(145)
Proceeds on issue of shares		2	-	-
Purchase of own shares		-	(102)	(294)
New finance leases		69	-	-
Net cash from financing activities		(80)	4,255	3,918
Net decrease/increase in cash and cash equivalents		(2,022)	(2,251)	(2,996)
Cash and cash equivalents at the beginning of the period		4,710	7,455	7,455
Effect of foreign exchange rate changes		212	34	251
Cash and cash equivalents at the end of the period		2,900	5,238	4,710

**NOTES TO THE CONSOLIDATED INTERIM REPORT
FOR THE SIX MONTHS ENDED 30 JUNE 2008**

1. Accounting policies

Basis of accounting

The Group prepares consolidated financial statements in accordance with the measurement and recognition criteria of International Financial Reporting Standards ('IFRS') including International Accounting Standards ('IAS') and interpretations issued by the International Accounting Standards Board ('IASB') and its committees, and as interpreted by any regulatory bodies applicable to the Group, as adopted for use in the European Union and in compliance with Article 4 of the EU IAS Regulation. The interim report is unaudited and has been

prepared on the basis of the accounting policies set out in the financial statements for the year ended 31 December 2007.

As a result of significant UK losses in the first half of 2008 and contractual restrictions on the use of funds from the French businesses (which are profit-making), the Group has postponed capital loan repayments first due in July 2008, on the loan taken out in June 2007 to support the acquisition of NP6. The Group is in breach of certain conditions and covenants under this loan.

As disclosed in its announcement to the market on 11 August 2008, the Group has held discussions with its Bank to obtain a waiver of these breaches and to agree amendments to the terms of the Bank's facilities. As disclosed in its announcement to the market on 29 September 2008, the Group has disposed of its UK Customer Acquisition and List Rental businesses. As part of this sale process, the Bank has agreed in principle, following the above mentioned sale, to amend the covenant and payment terms of the loan facility with the Group including the formal waiver of all current breaches in the loan facility.

In accordance with IAS 1, the total borrowings have been classified as current debt in the balance sheet as at 30 June 2008.

The interim statements have been prepared on a going concern basis. The Directors continue to be of the view that it is appropriate to prepare the financial statements on this basis. In forming this view the Directors have conducted a review of the trading prospects of the Group including a cash flow forecast which considers the Group's funding requirements to the end of September 2009. The Directors have been taking appropriate legal and financial advice throughout the course of this review.

The projections show that the Group has sufficient financial resources to meet its trading and financial obligations. However, the forecasts are based on the successful resolution of the following issues:

- successful negotiation with management of Directinet SA regarding: i) terms of earnout payments in relation to year ending 31 December 2008, which would result in removal of restrictions on the use of the French funds and ii) arrangements for the future management of the businesses;
- the disposal of one of the French subsidiaries; and
- finalisation of the contractual agreement for the renegotiation of the loan payment terms and covenants with the bank by 17 October 2008.

The Directors have made a proposal to the vendors of Directinet to accept amendments to certain commercial terms of the earn-out agreements in order to allow some cash inflows from France into the UK. These discussions are ongoing.

As mentioned above the Bank have agreed in principle revised covenant and payment terms, following a successful completion of the sale of the UK Customer Acquisition and List Rental business, which will allow the business to continue to trade for the foreseeable future.

There is a risk that the above conditions may not be achieved and they constitute a material uncertainty as to the Group's ability to continue as a going concern. The interim financial information does not include any adjustments that would result if the Group were unable to continue as a going concern, which would include writing down the carrying value of assets, including goodwill, to their recoverable amount and providing for any further liabilities that might arise, as it is not practicable to determine or quantify them.

Change in classification of capitalised data amortisation

The Group has changed the classification of amortisation of its data assets in its financial statements. Prior to the change in classification, amortisation of the data assets was recognised within administrative expenses. The revised approach is to recognise the amortisation of data assets within cost of sales. This classification is considered to provide users of the financial statements with a more relevant gross profit figure.

Change in classification of capitalised data amortisation (continued)

The impact of this change in classification has been to increase the cost of sales by the amount of amortisation of the data asset and reduce administrative expenses by the corresponding amount. There is no impact on operating profit.

The comparative figures presented in the income statement for the 6 month period ended 30 June 2007 and the year ended 31 December 2007 have been restated to reflect this change in classification. In the 6 months ended 30 June 2007, cost of sales has increased by £555,000 with a corresponding decrease in administrative costs. In the year ended 31 December 2007, cost of sales has increased by £1,170,000 with a corresponding decrease in administrative costs.

Prior year amendment

A prior year amendment was made in the Group financial statements for the year ended 31 December 2007 in relation to evolution of the application of IFRS 3 *Business Combinations*, which caused the Group to reconsider

the treatment of adjustments relating to movements in deferred consideration. This amendment was not reflected in the interim financial statements for the 6 months ended 30 June 2007, hence a prior year amendment has been made to the comparative income statement comprising:

	6 months ended 30 June 2007 Amended £'000
Foreign currency gain on deferred consideration payable	5
Interest accretion on deferred consideration payable	<u>(184)</u>
	<u>(179)</u>

In the financial statements for the period ended 30 June 2007 this movement was recognised against goodwill. There is no impact on the tax charge as this item is not deductible for corporation tax purposes. No amendment is required to the comparative figures for the year ended 31 December 2007.

2. Publication of non-statutory accounts

The financial information for the six months ended 30 June 2008 and 30 June 2007 has not been audited and does not constitute full financial statements within the meaning of Section 240 of the Companies Act 1985.

The financial information relating to year ended 31 December 2007 does not constitute full financial statements within the meaning of Section 240 of the Companies Act 1985. This information is an extract of the Group's statutory accounts for that period which have been filed with the Registrar of Companies. Those statutory accounts which were prepared in accordance with International Financial Reporting Standards, received an unqualified report and did not contain statements under section 237(2) or (3) of the Companies Act 1985.

3. Segmental reporting

Business segments

Segmental information is presented in respect of the Group's primary business segments.

Segmental results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated costs comprise mainly head office expenses.

Segmental capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill and those arising on business combinations.

The Group comprises two main business segments, based on geographical location – the United Kingdom and France. These divisions are the basis on which the Group reports its primary management information. Sales between segments are disclosed as unallocated.

Results – 6 months ended 30 June 2008

			Inter-segmental		Consolidated
	UK	France	sales	Unallocated	
	£'000	£'000	£'000	£'000	£'000
Revenue	7,083	9,537	(306)	-	16,314
Adjusted operating (loss)/profit (note 4)	(2,268)	1,956	-	(361)	(673)
Share-based	-	-	-	(18)	(18)

payment charge				
Adjustment to goodwill on recognition of tax assets	-	-	-	-
Amortisation of acquisition related intangible assets	(77)	(210)	-	(287)
Impairment of non-acquisition related intangible assets	(1,751)	-	-	(1,751)
Impairment of goodwill and acquisition related intangible assets	(5,142)	-	-	(5,142)
Operating (loss)/profit from continuing operations	(9,238)	1,746	(379)	(7,871)
Investment revenue				33
Finance costs				(1,231)
Loss for the half-year before taxation				(9,069)
Taxation				(805)
Loss for the half-year				(9,874)

Results – 6 months ended 30 June 2007

	Inter-segmental				
	UK	France	sales	Unallocated	Consolidated
	£'000	£'000	£'000	£'000	£'000
Revenue	9,976	5,420	-	-	15,396
Adjusted operating profit/(loss) (note 4)	346	993	-	(383)	956
Share-based payment charge	-	-	-	(67)	(67)
Adjustment to goodwill on recognition of tax assets	(20)	-	-	-	(20)
Amortisation of acquisition related intangible assets	(72)	(151)	-	-	(223)
Impairment of non-acquisition related intangible assets	-	-	-	-	-
Impairment of goodwill and acquisition related intangible assets	-	-	-	-	-
Operating profit/(loss) from continuing operations	254	842	-	(450)	646

Investment revenue	60
Finance costs	(179)
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Profit for the half-year before taxation	527
Taxation	(375)
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Profit for the half-year	152
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Results – year ended 31 December 2007

Other information – 6 months ended 30 June 2008

	UK	France	Unallocated	Consolidated
	£'000	£'000	£'000	£'000
Capital additions	782	191	-	973
Depreciation and amortisation				
Depreciation on property, plant and equipment	331	49	-	380
Amortisation of non-acquisition related intangible assets	639	24	-	663
	<hr/>	<hr/>	<hr/>	<hr/>
	1,047	283	-	1,330
	<hr/>	<hr/>	<hr/>	<hr/>

Other information – 6 months ended 30 June 2007

	UK	France	Unallocated	Consolidated
	£'000	£'000	£'000	£'000
Capital additions	862	46	-	908
Depreciation and amortisation				
Depreciation on property, plant and equipment	208	28	-	236
Amortisation of non-acquisition related intangible assets	685	4	-	689
Amortisation of acquisition related intangible assets	72	151	-	223
	<hr/>	<hr/>	<hr/>	<hr/>
	965	183	-	1,148
	<hr/>	<hr/>	<hr/>	<hr/>

Other information – year ended 31 December 2007

	UK	France	Unallocated	Consolidated
	£'000	£'000	£'000	£'000
Capital additions	1,835	231	-	2,066

Depreciation and amortisation				
Depreciation on property, plant and equipment	405	74	-	479
Amortisation of non-acquisition related intangible assets	1,441	64	-	1,505
Amortisation of acquisition related intangible assets	145	361	-	506
	<u>1,991</u>	<u>499</u>	<u>-</u>	<u>2,490</u>

Balance sheet at 30 June 2008

	UK	France	Unallocated	Consolidated
	£'000	£'000	£'000	£'000
Segment assets	<u>8,516</u>	<u>37,903</u>	<u>36</u>	<u>46,455</u>
Segment liabilities	<u>11,174</u>	<u>6,921</u>	<u>-</u>	<u>18,094</u>

Balance sheet at 30 June 2007

	UK	France	Unallocated	Consolidated
	£'000	£'000	£'000	£'000
Segment assets	<u>18,846</u>	<u>34,941</u>	<u>(236)</u>	<u>53,551</u>
Segment liabilities	<u>15,597</u>	<u>5,364</u>	<u>(477)</u>	<u>20,484</u>

Balance sheet at 31 December 2007

	UK	France	Unallocated	Consolidated
	£'000	£'000	£'000	£'000
Segment assets	<u>14,882</u>	<u>42,403</u>	<u>208</u>	<u>57,493</u>
Segment liabilities	<u>16,791</u>	<u>6,782</u>	<u>154</u>	<u>23,727</u>

4. Adjusted operating (loss)/ profit

6 months ended
30 June
2008
Unaudited

£'000

Reported operating (loss)/profit	(7,871)
Add back:	
- share-based payment charge	18
- adjustment to goodwill on recognition of tax assets	-
- amortisation of acquisition related intangible assets	287
- impairment of non-acquisition related intangible assets	1,751
- impairment of goodwill and acquisition related intangibles	5,142
Adjusted operating (loss)/ profit	<u>(673)</u>

5. Tax

The tax expense comprises:

	6 months ended 30 June 2008 Unaudited £'000	6 months ended 30 June 2007 Unaudited Amended £'000	Year ended 31 December 2007 Audited £'000
Current tax			
Corporation tax	(686)	(357)	(931)
Adjustment in respect of prior years	22	-	-
Foreign tax credit	-	50	50
Released through equity	(1)	(29)	(43)
	<u>(665)</u>	<u>(336)</u>	<u>(924)</u>
Deferred tax			
(Decrease)/increase in deferred tax asset	(478)	(111)	48
Decrease in deferred tax liability primarily relating to intangibles	338	91	181
Adjustment in respect of prior years	-	(19)	-
	<u>(140)</u>	<u>(39)</u>	<u>229</u>
Total tax expense	<u>(805)</u>	<u>(375)</u>	<u>(695)</u>

Tax expense includes the write-down of all UK deferred tax assets. No deferred tax assets have been recognised in respect of losses incurred in the UK as utilisation of these losses is not probable.

6. (Loss)/earnings per share

The calculation of earnings per share is based on the following profits and number of shares:

	6 months ended 30 June 2008 Unaudited			6 months ended 30 June 2007 Unaudited Amended (see note 1)			Year ended 31 December 2007 Audited Amended		
	(Loss)/ profit £'000	Number of shares '000	Pence per share	(Loss)/ profit £'000	Number of shares '000	Pence per share	(Loss)/ profit £'000	Number of shares '000	Pence per share
Adjusted earnings per share	(1,823)	47,160	(3.9)	557	44,431	1.3	446	44,739	1.0

Reconciliation to reported earnings:									
- share-based payment charge	(18)	-	-	(67)	-	(0.2)	(145)	-	(0.3)
- adjustment to goodwill on recognition of tax assets	-	-	-	(20)	-	-	(30)	-	(0.1)
- amortisation of acquisition related intangible assets	(287)	-	(0.6)	(223)	-	(0.6)	(506)	-	(1.1)
- impairment of non-acquisition related intangible assets	(1,751)	-	(3.7)	-	-	-	-	-	-
- impairment of goodwill and acquisition related intangibles	(5,142)	-	(11.0)	-	-	-	-	-	-
- foreign currency translation adjustment and interest accretion on contingent consideration	(733)	-	(1.6)	(179)	-	(0.4)	(1,151)	-	(2.6)
- foreign exchange movement on foreign currency loan	(346)	-	(0.7)	-	-	-	(439)	-	(1.0)
- tax effect of the above items	306	-	0.6	84	-	0.2	164	-	0.4
Basic (loss)/earnings	(9,874)	47,160	(20.9)	152	44,431	0.3	(1,661)	44,739	(3.7)
Impact of share options and share consideration payable under earn-outs	-	-	-	-	307	-	-	-	-
Diluted earnings	(9,874)	47,160	(20.9)	152	44,738	0.3	(1,661)	44,739	(3.7)

7. Reconciliation of movement in total equity

	Called up share capital £'000	Share premium account £'000	Own shares £'000	Share option reserve £'000	Other reserve £'000	Profit and loss account £'000	Total £'000
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
At 1 January 2008	179	24,475	(529)	279	2,372	6,990	33,766
Issue of shares	23	2,205	-	-	-	-	2,228
Loss retained for the period	-	-	-	-	-	(9,874)	(9,874)
Items taken directly to equity	-	-	-	-	-	2,221	2,220

Share options exercised	-	-	2	-	-	-	2
Share-based payment transactions	-	-	-	18	-	-	18
At 30 June 2008	202	26,680	(527)	297	2,372	(663)	28,359

8. Reconciliation of operating (loss)/profit to net cash inflow/(outflow) from operating activities

	6 months ended 30 June 2008 Unaudited £'000	6 months ended 30 June 2007 Unaudited Amended (see note 1) £'000	Year ended 31 December 2007 Audited £'000
Operating (loss)/profit	(7,871)	646	627
Depreciation, amortisation and goodwill reduction expense	1,353	1,168	2,520
Impairment of data assets	1,751	-	-
Impairment of goodwill	5,142	-	-
Share-based payment charges	18	67	145
Loss on disposal of fixed assets	23	-	-
Increase/(decrease) in receivables	3,332	(2,170)	(4,939)
(Decrease)/increase in payables	(1,537)	197	3,426
Taxation paid	(875)	(288)	(1,191)
Net cash inflow/(outflow) from operating activities	1,336	(380)	588

9. Events after the balance sheet date

On 29 September 2008, the Group announced the disposal of the Customer Acquisition and List Rental divisions of its UK operations to a new company established by Volvere plc for a consideration of £1.3m in cash. The loss on disposal of these assets is estimated to be £0.1m. Volvere plc assumed immediate ownership of the assets that constitute these divisions.

The Group will retain its Emailbureau, Tpoll, Newsletters Online, Everyinvestor and Integra Insight businesses at present with a view to disposing of some or all of these operations in the near future. The Group will also continue to own and manage its profitable French companies and is considering the possibility of disposing of some of its French operations.

The Group also announced it had agreed in principle to amend the terms of its existing loan of €6.5m with Barclays Bank as detailed in the Chairman's statement.